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IN THE

Supreme Court of the United States

OCTOBER TERM, 1974.

No. 75-165

ADVANCED HYDRAULICS, INC.,
Petitioner,

vs.

OTIS ELEVATOR CO.,
Respondent,

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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Respondent,

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Petitioner respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Circuit Court of Appeals for the Seventh Circuit entered in this proceeding on May 2, 1975.

OPINIONS BELOW.

The opinion of the United States District Court for the Northern District of Illinois, Eastern Division, is reported at ..... F. Supp. ....., and 183 U. S. P. Q. 797.

The opinion of the Court of Appeals for the Seventh Circuit, printed in Appendix A, is reported at ..... F. 2d ....., 186 U. S. P. Q. 1.

JURISDICTION.

The judgment of the Court of Appeals for the Seventh Circuit was entered on May 2, 1975.

Jurisdiction of this Court is invoked under Title 28, U. S. Code, Section 1254 (1).

QUESTIONS PRESENTED.

1. Does the denial of a valid claim on the grounds of laches require proof of both (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense?

2. Does the denial of a valid claim on the grounds of estoppel require proof of both (1) misleading activities by the party against whom the defense is asserted, and (2) reliance by the party asserting the defense to its damage?

THE CONSTITUTIONAL PROVISION HERE INVOLVED.

Art. 1, Sec. 8. The Congress shall have power . . . To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.

STATEMENT OF THE CASE.

This is a patent infringement action wherein the District Court awarded summary judgment to respondent without any oral hearing on the ground of estoppel and laches.

Petitioner had charged respondent with infringement of its Patent No. 2,647,590 on July 30, 1967. When no answer was received petitioner continued to press its claim by sending respondent another letter on August 26, 1967. On September 27, 1967 respondent replied in part as follows:

> "We have investigated this matter and have concluded that we can find no basis for a determination that any of our Baker trucks constitute an infringement of any valid claim of patent 2,647,590. If you persist in your belief that one or more of our trucks infringe this patent and wish to describe to us specifically what structure is believed to constitute the infringement we shall be pleased to review our decision."

Relying on respondent's statement after three months of investigation that it could find no basis for a determination that any of its Baker trucks infringed, petitioner perceived no duty to respond and did not respond any further to this letter.

At about that time petitioner also charged others with infringement of the same patent. In 1968 petitioner brought its first suit for infringement of the patent against Clark Equipment Company. A summary judgment was entered in that suit against petitioner on April 26, 1971 finding non-infringement. The Seventh Circuit Court of Appeals affirmed on April 30, 1973. In 1972 suits on the same patent were also filed against Hyster Company and Eaton Corporation.

The present suit was filed on September 26, 1972 prior to termination of the Clark litigation. The District Court granted a motion for summary judgment holding that petitioner was guilty of laches and estoppel because of the five years delay between the notice of infringement and filing of suit. The Court of Appeals affirmed although respondent made no proof of damage or prejudice resulting from the delay to support the laches defense. Furthermore, respondent produced no evidence that it was misled by petitioner or that it relied on any misleading or deceitful activities of petitioner to support its estoppel defense.

REASONS FOR GRANTING THE WRIT.

1. The decision below on the laches issue conflicts with decisions of the U. S. Supreme Court and various Courts of Appeal.

A valid claim on the grounds of laches requires proof of both (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense.

The fact that petitioner filed this suit five years after its notice of infringement to respondent was not such a delay as should preclude petitioner from enforcing its claim. The time element is the only element upon which respondent can rely to support its defense of laches and estoppel. One of the critical elements in a laches defense is that the respondent must prove prejudice or damage which resulted from the delay, but respondent produced no evidence to support such prejudice or damage.

Mere lapse of time alone in bringing a patent infringement suit does not constitute laches. The delay must be inexcusable and cause prejudice to the respondent, and the respondent must present adequate proof to that effect before the equitable doctrine of laches may be invoked against petitioner.

The Court below in ruling that petitioner was guilty of laches and that the pending litigation against Clark Equipment Co. provided no excuse for the delay in bringing the suit, failed to consider entirely (as did also the District Court) whether the respondent had proved any prejudice or damage to it as a result of the delay.

It is clear that the Courts below erred in holding that petitioner was guilty of laches based solely on its five year delay in filing suit. This result is contrary to the rule on laches applied by the Supreme Court as well as the rule applied by other Circuit Courts of Appeals and even the Seventh Circuit in previous cases.

In *Gutierrez* v. *Waterman S. S. Corp.*, 373 U. S. 206, 215 (1963) a longshoreman filed his libel action more than a year after the expiration of the analogous Puerto Rican statute of limitations. The Supreme Court reversed the First Circuit's denial of the claim of laches as follows:

> "Finally we have concluded that the ruling of the trial court on laches is not plainly erroneous and should not have been reversed. The test of laches is prejudice to the

other party. *Gardner* v. *Panama R. Co.*, 342 U. S. 29, 30-31; *Cities Service Co.* v. *Puerto Rico Co.*, 305 F. 2d 170, 171 (C. A. 1st Cir.) (both unreasonable delay and consequent prejudice.) The trial court having heard the witnesses testify concluded that there was no prejudice. The Court of Appeals had no warrant to reverse this finding as plainly erroneous merely because in some way it might have been more advantageous to respondent to question the witnesses sooner than it did. Nor can prejudice be inferred from a variance between the witnesses testimony and respondent's written records of the unloading. The trial court which heard the witnesses was the proper judge of which evidence was credible; that records differ from testimony here does not mean that respondent was prejudiced by delay—it means that respondent was 'prejudiced' by the fact finder's refusal to believe its evidence and no more.

The Court of Appeals erred in setting the judgment of the District Court aside. The judgment of the Court of Appeals is reversed and the case remanded to the District Court for further proceedings consistent with this opinion."

As stated by the Supreme Court, *both* an unreasonable delay and actual prejudice to the defendant must be shown before the plaintiff's otherwise valid claim for relief can be denied.

Another pertinent decision is *Costello* v. *United States,* 365 U. S. 265, 282 (1961) wherein plaintiff after a twenty-seven year delay, brought a denaturalization proceeding against defendant. The Supreme Court cited authority to the effect that laches could not be brought against a sovereign body but went further in its opinion to hold as follows with respect to the defense of laches:

"None of the cases in this Court consider the question of the application of laches in a denaturalization proceeding. However, even if we assume the applicability of laches, we think that the petitioner failed to prove both of the elements which are necessary to the recognition of the defense. Laches requires proof of (1) lack of diligence by the party against whom the defense is asserted, and (2)

prejudice to the party asserting the defense. See *Galiher* v. *Cadwell*, 145 U. S. 368, 372; *Southern Pacific Co.* v. *Bogert*, 250 U. S. 483, 488-490; *Gardner* v. *Panama R. Co.*, 342 U. S. 29, 31.

"The petitioner alleges lack of diligence in the government's failure to proceed to revoke his certificate within a reasonable time after his arrest and trial under the 1925 indictment for conspiracy to violate the Prohibition Laws, or at least within a reasonable time after his admissions before the federal grand jury in 1939. There is no necessity to determine the merits of this argument, for the record is clear that the petitioner was not prejudiced by the Government's delay in any way which satisfies this requisite of laches."

The Supreme Court in this case makes it perfectly clear that prejudice must be proven by competent evidence.

The Fifth Circuit in *Shaffer* v. *Rector Well Equipment Co.*, 155 F. 2d 344, 346 in reversing the District Court's holding of laches sets forth its rule as follows:

"As has been often stated, laches is not determined solely by the mere passage of time. There must be other considerations that would make it inequitable for the suit to be prosecuted, among the most essential of which is a showing that the defendant has been, or will be, damaged or prejudiced by the delay.

* * *

"The burden of proof to establish the defense of laches is on the defendant [*United Drug Co.* v. *Ireland*, 8 Cir., 51 F. 2d 226; *Kelley* v. *Boettcher*, 8 Cir., 85 F. 55, 62; *Rajah Auto Supply Co.* v. *Belvedere Screw & Machine Co.*, supra] and the failure of defendant to prove injury or damage to itself—a vital element in the establishment of laches—would be fatal to such a defense, even if it had maintained that defense in other respects."

The Eighth Circuit in *Drum* v. *Turner*, 219 F. 188, 198 (8 Cir. 1914) stated the rule on laches as follows:

"Delay and silence within the life of a patent unaccompanied by any such acts or silence of the owner as amount

> to inducing deceit and thereby to an equitable estoppel, and the evidence fails to satisfy that there have been any such acts or omissions in this case, will not deprive such owner of his right to recover for an infringement of the exclusive right secured to him by the patent. It is no defense to a suit for an injunction and accounting on account of the continuing trespasses of an infringer that the latter has been trespassing on the rights of the owner of the patent for years with impunity."

The Third Circuit in *Westco-Chippewa Pump Co.* v. *Delaware Electric & Supply Co.*, 64 F. 2d 185, 186 (3 Cir. 1933) states the rule on laches as follows:

> "Or, to state this in the language of the plaintiff, there are two elements in laches: (1) lack of diligence on the part of the plaintiff; and (2) injury to defendant due to the inaction of the plaintiff."

The Third Circuit in the above case found that the position of the defendant had been materially and prejudicially changed because of the delay and thus affirmed the holding of laches. Such prejudicial change of position involved proof that defendant had invested a quarter million dollars in a new factory and new equipment.

In the case at bar, no such type of proof was presented to establish a prejudicial change of position.

In the more recent Third Circuit case of *Jenn-Air Corp.* v. *Penn Ventilator Co., Inc.*, 464 F. 2d 48 (3 Cir. 1972) the defendant urged that the delay of four years by Jenn-Air in bringing suit precluded its collecting damages from the infringer-defendant. In ruling that it did not the Court said:

> "There is nothing in this record to warrant a ruling of actual prejudice to this defendant from any delay in plaintiff starting his lawsuit against this defendant for its unconscionable infringement of plaintiff's '607 patent through the years. There was some delay in starting that cause but there was no harm to defendant in that all that happened to it was its continuance of counterfeiting and selling its

> infringing products. As we held in *Sobosle* v. *United States Steel Corporation,* 359 F. 2d 7, 12 (1966): 'Laches, of course, requires more than lapse of time; as an equitable defense it is determined in the light of all the existing circumstances and requires the delay to be unreasonable and cause prejudice to the adversary.' "

In *Universal Coin Lock Co.* v. *American Sanitary Lock Co.,* 104 F. 2d 781 (7 Cir. 1939) a patent infringement action in which there was a delay of ten and one-half years before filing suit, the Court said:

> "Mere delay unaccompanied by anything else will not constitute laches. The delay must be inexcusable and prejudicial to the defendant."

It is clear from the foregoing that the Seventh Circuit's application of laches without any proof of damage or prejudice to respondent is in conflict with the rule of this Court as well as other Courts of Appeal, all of which state that proof of delay alone is insufficient to establish laches.

2. The decision below on the estoppel issue conflicts with decisions of the U. S. Supreme Court and the general law of estoppel.

The Court below said that the facts of this case "require a decision in favor of Otis under general principles of estoppel". It relied principally on *Continental Coatings Corp.* v. *Metco, Inc.,* 464 F. 2d 1375 (7 Cir. 1972)* stating:

> "As we have indicated, *Continental, supra,* is controlling. Here the critical fact, as there, was the failure of Advanced over a five year period to follow up on its threat of prompt and vigorous enforcement of its patent. It is, as held in *Continental,* therefore estopped." (A. 7)

The Court further stated:

> "The following elements join together to estop Advanced from enforcing its patent: (1) Advanced threatened im-

* It should be noted that *Continental* was decided two months after petitioner's suit was filed and accordingly was not available as a guideline.

> mediate suit but failed to take any action on this threat for five full years; (2) Advanced failed to respond in any way to Otis' request for particulars of the alleged infringement; (3) there was no notice, actual or constructive, of any pending litigation regarding the same patent; and (4) Otis was seriously prejudiced in the loss by death of a crucial witness." (A. 8)

As is well known, the general law on estoppel requires prejudice brought about by detrimental reliance. There must be prejudice or a change of position to one's detriment. In 28 Am Jur 2d, 710 it is stated:

> "The conduct of the party claiming an estoppel must be considered no less than the conduct of the party to be estopped. As a general rule it is essential to the existence of an equitable estoppel, or estoppel in pais, that the representation, whether consisting of words, acts or omissions of the party against whom the estoppel is asserted, shall have been believed by the party claiming the benefit thereof, and that he shall have relied thereon and been influenced and misled thereby. He must have acted upon the declarations or conduct of the person sought to be estopped, and not on his own knowledge or judgment."

In *Northern Pacific Railway Co.* v. *Boyd*, 228 U. S. 482, 509 (1913) the Supreme Court said:

> "But the doctrine of estoppel by laches is not one which can be measured out in days and months, as though it were a statute of limitations. For what might be inexcusable delay in one case would not be inconsistent with diligence in another, and unless the non-action of the complainant operated to damage the defendant or to induce it to change its position, there is no necessary estoppel arising from the mere lapse of time. *Townsend* v. *Vanderworker*, 160 U. S. 171, 186."

In *Lebold* v. *Inland Steel Co.*, 125 F. 2d 369 (7 Cir. 1941) the Court in discussing estoppel said:

> "Estoppel arises only when one has so acted as to mislead another and the one thus misled has relied upon the action of the inducing party to his prejudice. Shortly stated, one

> may not assume a position inconsistent with a former position to the prejudice of his adversary . . . It is the injury accruing from inducement or silent acquiescence which creates the estoppel. . . . Pomeroy, Equity Jurisprudence, Section 805, says 'The conduct must be relied upon by the other party, and thus relying, he must be led to act upon it.*** He must in fact act upon it in such a manner as to change his position for the worse; in other words he must so act that he would suffer a loss if he were compelled to surrender or forego or alter what he has done by reason of the first party being permitted to repudiate his conduct and to assert rights inconsistent with it'."

To carry its burden on the estoppel issue, respondent was required to prove that it was misled and that it was damaged as a result of reliance on whatever misleading activities petitioner may have engaged in. Respondent provided no evidence of any of the traditional elements of estoppel. It did not establish that petitioner misled it or that it placed any reliance on any supposed misleading activities of the petitioner. For example, respondent did not offer any evidence that it had made expenditures for plant expansion or otherwise expanded its business or made other monetary commitments in reliance on any activity of petitioner.

The record discloses no conduct on the part of petitioner which could have misled respondent into believing that petitioner had abandoned its patent or acquiesced in its use.

Although the Court of Appeals at the end of its opinion (A. 8) enumerates four elements on which it bases its holding of estoppel, it is quite apparent that such factors do not satisfy the elements of an estoppel situation. For example, the Court of Appeals refers to the death of a crucial witness. This was the inventor. What does this have to do with estoppel? To say that the respondent was seriously prejudiced by the death of the inventor is an assumption having no basis. It is just as logical to assume that petitioner was even more prejudiced by the inventor's death, if indeed there was any prejudice at all. The Court of Appeals further stated that there was no notice, actual or con-

structive, of any pending litigation regarding the same patent, referring to the pending Clark litigation. Yet the principal guideline petitioner had at the time it filed its suit was *Armstrong* v. *Motorola*, 374 F. 2d 764 (7 Cir. 1967) which clearly states that a suit pending to sustain the validity of a patent is notice to all infringers of the insistence of the patentee upon his claimed rights. How could the Court of Appeals now penalize petitioner herein for following the law as the Seventh Circuit had previously stated it?

Although petitioner's failure to file suit for five years after the notice of infringement may be considered in determining whether estoppel applies, there is no indication in the record that respondent in any way relied on this delay to its detriment. In fact, quite the contrary is the case. Respondent in its correspondence indicated that it made a sufficient investigation over a period of three months and, based on such an investigation, concluded that the hydraulic elevators of its lift trucks did not infringe any of the claims of petitioner's patent. In other words, respondent relied on its own determination of non-infringement to continue with its normal activities, and not on any misleading acts of petitioner.

It becomes clear that the statement by respondent suggesting that petitioner describe more specifically structures believed to constitute the infringement was essentially meaningless. At best, respondent's suggestion was no more than a "courtesy statement". Certainly, it was not a statement which should create an absolute legal duty on the part of petitioner to recharge respondent with infringement and produce the severe result of summary judgment against petitioner for failure to do so. This is especially true when the statement is viewed in the overall context of respondent's letter in which it indicated that its three month investigation led it to the conclusion that it did not infringe.

It clearly appears that the ingredients the Court of Appeals combined to add up to estoppel do not meet the standards of the general law of estoppel as defined by this and other courts.

CONCLUSION.

In view of the foregoing it is submitted that a Writ of Certiorari should issue to review the decision of the Court of Appeals for the Seventh Circuit in the above entitled cause.

Respectfully submitted,

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APPENDIX.

IN THE

UNITED STATES COURT OF APPEALS

For the Seventh Circuit

No. 74-1771

ADVANCED HYDRAULICS, INC.,

Plaintiff-Appellant,

vs.

OTIS ELEVATOR COMPANY,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division—No. 72 C 2405

Joseph Sam Perry, *Judge.*

ARGUED JANUARY 14, 1975—DECIDED MAY 2, 1975

Before CLARK, *Associate Justice (Retired)**, SWYGERT and PELL, *Circuit Judges.*

MR. JUSTICE CLARK: This appeal tests the validity of a summary judgment entered by the District Court on the ground of estoppel and laches in a patent infringement suit. It appears

* Associate Justice Tom C. Clark, United States Supreme Court (Ret.) is sitting by designation.

that a "hydraulic elevator" patent was applied for on February 16, 1951, by one C. A. Anderson, Jr. and was issued to him on August 4, 1953. In 1967 the patent was assigned to appellant, Advanced Hydraulics, Inc. (Advanced), and on June 30, 1967, counsel for Advanced sent out notices of infringement to some 15 companies operating in the field. One such notice, in the form of a letter, went to the president of appellee, Otis Elevator Company (Otis), and stated, *inter alia*:

> It has come to our attention that you are making and selling products which are an infringement of this patent . . . various models of fork lift trucks manufactured and sold by your Baker Division in Cleveland.
>
> I would appreciate hearing from you within the next twenty (20) days about the consideration you have given this matter.
>
> If I do not hear from you within that time, we will have no alternative but to consider proceeding immediately with appropriate legal action to enjoin you from further manufacture and to recover appropriate damages for past infringement.

On July 5, 1967, Otis replied that it was investigating the charges of infringement and would advise Advanced of the result. Thereafter on August 26, 1967, counsel for Advanced again wrote Otis and inquired how Otis was coming in its investigation, advising that he would be away from the office during the month of September and stating that he was "hopeful that by the time I return I will have heard from you." On September 27, 1967, Otis replied, advising Advanced's counsel that the matter had been investigated and that it had found no infringement. The letter concluded:

> If you persist in your belief that one or more of our trucks infringe this patent and wish to describe to us specifically what structure is believed to constitute this infringement we will be pleased to review our decision.

Otis never received any response to this letter nor did it receive any further details of the infringement from Advanced or

its counsel between August of 1967 and the filing of the instant suit in September of 1972.

In 1968, Advanced brought suit for infringement of the same patent against Clark Equipment Company. In April, 1971, a summary judgment was entered in that suit against Advanced, finding non-infringement. This court affirmed. Thereafter, in early 1972, one suit was filed against Hyster Company, which, according to counsel, was subsequently settled, and another against Eaton Corporation. The present suit was filed on September 22, 1972. By that time the patent had expired (August 4, 1970), and the inventor, C. A. Anderson, Jr. had died (1969).

The District Court in the instant action sustained a motion for summary judgment on the ground that the long, unexcused delay between notice of infringement and filing of suit and the resulting damage required a finding that Advanced was guilty of laches and estoppel, which precluded it from recovery. Our careful examination of the record leads us to affirm, although we look with some trepidation on summary judgments in patent cases. Here, there was no genuine issue of fact and no injustice could possibly result from a summary judgment.

I.

The law of this Circuit on laches and estoppel is clear. Mere delay is not sufficient, but where "deferrment of action to enforce claimed rights is prolonged and inexcusable and operates to defendant's material prejudice", laches is "an effectual bar" to recovery. *Boris* v. *Hamilton Manufacturing Company*, 253 F.2d 526, 529 (7th Cir. 1956) (Hastings, J.). Laches is an equitable doctrine, "not fixed by any unyielding measure but to be determined in each case under its factual situation . . ." *Id.* Its use is entirely permissible to prevent injustice. Estoppel, on the other hand, as Judge Lindley once defined it, "arises only where one has so acted as to mislead another, and the one thus misled has relied upon the action of the inducing party to his prejudice." *Lebold* v. *Inland Steel Co.*, 125 F.2d 369, 375 (7th

Cir. 1941). Thus as Judge Stevens pointed out in *Continental Coatings Corporation* v. *Metco, Inc.*, 464 F.2d 1375, 1379 (1972), "there is indeed an important difference between laches and estoppel".

This difference is carried over into the effects that the two defenses have upon litigation. In a patent suit, the effect of laches is merely to withhold damages for infringement prior to the filing of the suit. Estoppel, however, forecloses the patentee from enforcing his patent, and the infringement suit must fail *in toto*. See *George F. Meyer Mfg. Co.* v. *Miller Mfg. Co.* 24 F.2d 505, 507 (7th Cir. 1928).

As Judge Stevens said in *Continental:*

> In later cases this circuit has consistently denied the patentee any relief if the evidence of unreasonable and unexcused delay also disclosed that the patentee's conduct had encouraged the belief that the infringer's business would be unmolested. [464 F.2d at 1380]

The critical fact in identifying an estoppel situation, Judge Stevens explained, is that:

> [T]he infringement notice threatening prompt and vigorous enforcement of the patent * * * was then followed by a period of unreasonable and unexcused delay. Having made such a threat, the patentee was thereafter estopped to deny that it was then ready, willing and able to establish the validity of the patent in court if necessary. *Id.*

II.

Contrary to the position of appellant, the existence of other pending litigation over the patent does not automatically excuse delay in the bringing of the suit. It is said that *Armstrong* v. *Motorola*, 374 F.2d 764 (7th Cir. 1967), so holds. We think not. It is true that in *Motorola* Judge Cummings quotes from *Montgomery Ward & Co.* v. *Clair*, 128 F.2d 878, 883 (8th Cir. 1941) to the effect that:

> An inventor is not required to litigate the validity of his patent against every possible infringer. A suit pending to

> sustain the validity of a patent is notice to all infringers of the insistence of the patentee upon his claimed rights.

However, in both *Motorola* and *Clair*, the infringers had actual notice of the pending litigation, and both holdings are, therefore, so limited. Here there was no actual notice to Otis, either alleged or proven.

It is a misreading of *Motorola* to view it as decided on the basis that "other litigation" was pending. It is true that Motorola, the alleged infringer, was actually notified of a pending case against RCA on the same patent, but the *Motorola* result was based neither on such notice nor on the existence of the RCA suit. As Judge Cummings specifically held:

> Motorola's estoppel claim failed because it did not rely upon any inaction of Major Armstrong [the patentee] but instead decided in late 1941 that it was not infringing his patents and therefore would not take a license. Accordingly, the defense of estoppel must fail.

It should be noted that the *Motorola* appeal did not involve a laches defense since it had been earlier rejected by the trial court and was not raised on appeal. The crucial fact in the case, as indicated in the opinion, was that Motorola, over the years, had not relied on the delay of the patentee but rather relied solely on its own determination of non-infringement.

Furthermore, there are decisions before and after *Motorola* in this Circuit which refused to excuse laches because of other pending litigation. *See Anchor Stove and Range Co.* v. *Montgomery Ward Co.*, 114 F.2d 893, 895 (7th Cir. 1940); *Baker Manufacturing Co.* v. *Whitewater Mfg. Co.*, 430 F.2d 1008, 1014-1015 (7th Cir. 1970). In addition, the Sixth Circuit in *American Home Products Corporation* v. *Lockwood Mfg. Co.*, 483 F.2d 1120, 1123 (6th Cir. 1973) rejected the "suggestion that the existence of other litigation automatically excuses any delay in bringing suit", commenting that "it was unable to find any authority for the proposition that the existence of 'other litigation' is a complete bar to the assertion of a laches defense."

483 F.2d at 1123. We, therefore, conclude that *Motorola* does not control here. Moreover, we believe that the better practice is that notice of "other litigation" must be given to all known parties who are thought to be infringers; otherwise manifest injustice would result.

III.

Even if, under *Motorola* and *Clair*, the existence of "other litigation" did amount to some sort of constructive notice to Otis of the intention of Advanced to press its claim, the peculiar facts of this case would nonetheless require a decision in favor of Otis under general principles of estoppel. The exchange of correspondence between Advanced's counsel and Otis is the critical element in the case as far as Otis' plea of estoppel is concerned. As we have shown, the initial letter of Advanced's counsel threatened immediate legal action, if Otis sent no reply within 20 days. In reply, Otis did not adopt a firm non-infringement position. It indicated that it perceived no infringement in light of the breadth of Advanced's claims, but suggested that if Advanced were to supply more specifics as to its claims, Otis would then re-evaluate its position. Advanced, however, elected not to reply to the Otis letter, although it had a virtual duty to give some type of answer.[1] In the absence of any further word from Advanced for five full years, it was natural for Otis to be encouraged to believe that its business could proceed unmolested. We note that Otis had been manufacturing hydraulic lift trucks and elevators since 1943 and its predecessor had done so long before that. As alleged in its answer, and uncontradicted in the record, Otis proceeded to make substantial investments in its business

1. Advanced's original letter spoke only in general terms about infringements in "various models of fork lift trucks" produced by Otis. It appears to us that Otis' request for additional information about the claimed infringement was reasonable and necessary to a fair determination by Otis of the nature of the situation, and produced what may be perceived as a duty to respond.

with relation both to elevators and trucks, and its business grew extensively between June, 1967 and September 22, 1972.

As we have indicated, *Continental, supra,* is controlling. Here the critical fact, as there, was the failure of Advanced over a five-year period to follow up on its threat of prompt and vigorous enforcement of its patent. It is, as held in *Continental,* therefore estopped. Advanced would distinguish *Continental* on the ground that the length of the delay was not unconscionably great.[2] The case at bar, however, is the stronger of the two. In *Continental* there was no request for particulars nor a duty to supply them; the 8-year period of delay was broken by repeated claims; and the period of complete silence only lasted three years. Furthermore, prejudice to the alleged infringer in *Continental* was simply presumed. See *Baker Mfg. Co.* v. *Whitewater Mfg. Co.*, 430 F. 2d 1008, 1009-10 (7th Cir. 1970). The facts here are more compelling.

In addition to the failure of Advanced to give notice of pending litigation or even to respond to Otis' September 27, 1967 letter, the record shows that Otis raised an affirmative defense in the trial court. It contended that Anderson reduced his invention to practice in 1945, some six years before he filed his patent application. If true, Anderson would be precluded from enforcing his patent. *See Levinson* v. *Nordskog,* 301 F. Supp. 589 (C.D. Cal. 1969). In support of its claim, in 1973, during discovery proceedings, Otis secured a witness, Duncan, who recalled the crucial date as 1945 but who later, while the motion for summary judgment was under advisement, changed his mind and recalled the date to be 1947. Since Anderson is dead, the crucial witness on this question is unavailable, and Otis is advised that there are no records. Hence,

2. While we have not made an exhaustive search of the cases, two have come to our notice where the length of delay was less than 5 years: *Kimberly Corporation* v. *Hartley Pen Company,* 237 F.2d 294 (9th Cir. 1956), where the period was 4 years, and *Continental, supra,* where the period of continuous delay without a claim of infringement, was 3 years.

Advanced's delay in filing the suit has sorely prejudiced Otis, and injustice may well result unless the equitable defense of estoppel is allowed.

The undisputed facts here make up a classic case for the application of equitable relief. *See Gillons* v. *Shell*, 86 F.2d 600 (9th Cir. 1963), where it is said:

> A court of equity will refuse relief after inexcusable delay because of the difficulty, if not the impossibility, of arriving at a safe and certain conclusion as to the truth of matters in controversy and doing justice between the parties, where the evidence has been lost or become obscured through the loss of documents, or through death of one or more of the participants in the transaction in suit . . . while the rule requires for its support no element of estoppel, but is founded on public policy, the fact that the delay has tended to defeat defendant's power to prove his right is an additional reason for its application. [86 F. 2d at 609].

See also Technitrol, Inc. v. *Memorex Corp.*, 376 Fed. Supp. 828, 835 (N. D. Ill. 1974) (suit foreclosed by laches where patent had expired).

The following elements join together to estop Advanced from enforcing its patent: (1) Advanced threatened immediate suit but failed to take any action on this threat for five full years; (2) Advanced failed to respond in any way to Otis' request for particulars of the alleged infringement; (3) there was no notice, actual or constructive, or any pending litigation regarding the same patent; and (4) Otis was seriously prejudiced in the loss by death of a crucial witness.

The judgment is, therefore, affirmed.

A true Copy:

Teste:

.....

Clerk of the United States Court of Appeals for the Seventh Circuit

IN THE

Supreme Court of the United States

OCTOBER TERM, 1974.

No.

ADVANCED HYDRAULICS, INC.,

Petitioner,

vs.

OTIS ELEVATOR CO.,

Respondent.

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SUPPLEMENTAL APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

UNITED STATES DISTRICT COURT
Northern District of Illinois
Eastern Division

Name of Presiding Judge, Honorable Joseph Sam Perry

Cause No. 72 C 2405 Date May 1, 1974

Title of Cause—Advanced Hydraulics, Inc. vs. Otis Elevator Company.

This cause comes on upon defendant's Motion for Summary Judgment. The court has read and considered said motion and the memoranda of the respective parties in support thereof and in opposition thereto.

The court is of the opinion that said motion for summary judgment is well taken and should be granted; however, the court takes the granting of said motion under advisement and directs the defendant to submit proposed Findings of Fact and Conclusions of Law, and a proposed Judgment Order within ten (10) days. The plaintiff is given ten (10) days thereafter within which to file written objections thereto, and the cause is continued under advisement for final Findings of Fact and Conclusions of Law, and for final Judgment Order, until such date as the court shall enter the same.

May 2, 1974

/s/ J. S. PERRY

IN THE UNITED STATES DISTRICT COURT
For the Northern District of Illinois
Eastern Division

ADVANCED HYDRAULICS, INC.,
Plaintiff,
vs.
OTIS ELEVATOR COMPANY,
Defendant.

No. 72 C 2405

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This cause comes on upon defendant's motion for summary judgment. The court earlier read and considered the motion and memoranda of the parties and in a previous order indicated that in its opinion the motion should be granted. Said order directed defendant to submit proposed Findings of Fact and Conclusions of Law and a proposed Judgment Order and defendant was given leave to file objections thereto. The court has read and considered the proposed findings, conclusions and judgment order, plaintiff's objections thereto and plaintiff's proposed additions and changes.

The court now hereby enters the following as its findings of fact and conclusions of law herein:

Findings of Fact

1. This is an action for patent infringement brought by the plaintiff against the defendant under the patent laws of the United States. Jurisdiction and venue are based on Title 28, Sections 1338(a) and 1400(b), respectively, of the U. S. Code.

2. Plaintiff, Advanced Hydraulics, Inc. is a corporation of the State of Illinois.

3. Defendant, Otis Elevator Company, is a corporation of the State of New Jersey and has a regular and established place of business within the Northern District of Illinois.

4. By complaint filed on September 26, 1972, plaintiff has charged defendant with infringement of U. S. Letters Patent No. 2,647,590 for "Hydraulic Elevator", issued to Carl A. Anderson, Jr.

5. Defendant has denied infringement and on November 9, 1973 moved for summary judgment that said patent is invalid and unenforceable and that said claim for infringement is barred by laches and estoppel.

6. Carl A. Anderson, Jr. applied for said patent on February 16, 1951; it was issued to him on August 4, 1953, and it expired 17 years thereafter on August 4, 1970.

7. Carl A. Anderson, Jr. and others organized the plaintiff corporation, Advanced Hydraulics, Inc., in March of 1967 and Anderson thereafter assigned said patent to plaintiff.

8. By letter dated June 30, 1967, plaintiff, through its attorney, charged defendant with infringement of said patent, threatening immediate legal action to enjoin defendant from further infringement and to recover damages.

9. In a letter, dated September 29, 1967, defendant, by counsel, denied the charge of infringement and stated:

> "We have investigated this matter and have concluded that we can find no basis for a determination that any of our Baker trucks constitute an infringement of any valid claim of patent 2,647,590. If you persist in your belief that one or more of our trucks infringe this patent and wish to describe to us specifically what structure is believed to constitute this infringement we shall be pleased to review our decision."

10. Plaintiff never responded to said letter or its request for particulars, nor did it at any time in the five-year period from September 29, 1967 to September 26, 1972, the date

on which this action was commenced, notify defendant that it persisted in its belief of infringement.

11. In that five-year period, Anderson, the inventor, died, in 1969, and the patent in suit expired, in 1970.

12. In 1968 plaintiff commenced patent infringement litigation in this District Court against the Clark Equipment Company (Case No. 68 C 865). However, plaintiff did not at any time subsequent to June 30, 1967 notify Otis that it would press its infringement claim against Otis. A summary judgment of non-infringement entered on April 26, 1971 in the Clark litigation was affirmed by the Seventh Circuit Court of Appeals on April 30, 1973.

Conclusions of Law

1. This court has jurisdiction of the parties and of the Anderson Patent No. 2,647,590. Venue is proper.

2. There is no genuine issue of material fact here as to plaintiff's five-year delay in filing suit until 1972 after its threat of legal action in 1967.

3. Plaintiff is estopped to deny that it was in 1967, the date of its notice to defendant, ready, willing and able to establish the validity and infringement of the Anderson patent, in court if necessary; its failure thereafter to make any reply to defendant's prompt denial of infringement and request for particulars "if you [plaintiff] persist in your belief", and plaintiff's unexcused five-year delay in filing suit without further notice were unreasonable. Plaintiff's claim herein is therefore barred by estoppel. *Continental Coatings Corp.* v. *Metco, Inc.*, 464 F. 2d 1375, 1380 (7th Cir. 1972); *Baker Mfg. Co.* v. *Whitewater Mfg. Co.*, 430 F. 2d 1008 (7th Cir. 1970).

4. Defendant is seriously prejudiced by plaintiff's unreasonable and inexcusable delay in failing to bring this action until 1972, after threat of suit in 1967, and in failing to respond promptly, or at all, to defendant's request for particulars of infringement. Plaintiff is guilty of laches barring its claim.

Gillons v. *Shell*, 86 F. 2d 600, 609 (9th Cir. 1936); *Continental Coatings Corp.* v. *Metco, Inc., supra; Baker Mfg. Co.* v. *Whitewater Mfg. Co., supra.*

5. Plaintiff's plea of "other litigation" in respect of the patent in suit affords no excuse for its five-year delay in filing suit after notice of infringement because plaintiff did not at any time during that delay give notice to defendant that it intended to press its claim. *American Home Products Corp.* v. *Lockwood*, 483 F. 2d 1120, 1123-1124 (6th Cir. 1973); *Baker Mfg. Co.* v. *Whitewater Mfg. Co., supra*, 430 F. 2d at 1013.

6. Plaintiff's delay in bringing this litigation for five years after threatening immediate suit and ignoring the defendant's request for particulars of infringement, and the resultant loss of evidence of the inventor in respect of the inventor's acts, prejudiced defendant, and bars plaintiff's claim. *Gillons* v. *Shell, supra.*

7. Plaintiff's disregard of the rights of defendant in belatedly filing this action bars the relief sought by plaintiff.

8. Summary judgment dismissing the complaint with prejudice should be granted for the reasons stated above.

There is a disagreement between the parties concerning infringement and whether Anderson reduced the invention of said patent to practice in 1945 or conceived the invention in 1945 and reduced it to practice in the fall of 1947 and an issue raised as to whether Anderson waited too long in applying for his patent. Having found and concluded that plaintiff's claim is barred by reason of estoppel and laches, it is not necessary for the court to reach issues of validity and infringement.

The court is entering simultaneously herewith a Judgment Order in accordance with its Findings of Fact and Conclusions of Law.

ENTER: /s/ J. S. PERRY

Dated: July 12, 1974 *Judge*

IN THE UNITED STATES DISTRICT COURT
For the Northern District of Illinois
Eastern Division

ADVANCED HYDRAULICS, INC.,
Plaintiff,
vs.
OTIS ELEVATOR COMPANY,
Defendant.
No. 72 C 2405

JUDGMENT ORDER

This cause having come on to be heard on the motion of defendant for a summary judgment and the issues having been duly considered and the court having this day entered simultaneously herewith its Findings of Fact and Conclusions of Law herein, in accordance therewith,

It is ORDERED and ADJUDGED that:

1. Plaintiff's claim against defendant for damages for infringement of said patent is barred by estoppel.

2. Plaintiff's claim against defendant for damages for infringement of said patent is barred by laches.

3. Summary judgment be and it is hereby entered in favor of defendant and against plaintiff and the complaint is dismissed with prejudice.

4. Defendant is entitled to recover its costs from plaintiff in an amount to be taxed by the Clerk of the Court.

ENTER: /s/ J. S. PERRY
Judge

Dated: July 12, 1974

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1975

No. 75-165

ADVANCED HYDRAULICS, INC.,
Petitioner,

v.

OTIS ELEVATOR COMPANY,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1975

No. 75-165

ADVANCED HYDRAULICS, INC.,

Petitioner,

v.

OTIS ELEVATOR COMPANY,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION

Counterstatement of the Case

This is a patent infringement suit brought by Petitioner, Advanced Hydraulics, Inc. (hereinafter "Advanced"), against Respondent, Otis Elevator Co. (hereinafter "Otis"), alleging infringement of Advanced's United States Patent No. 2,647,590, issued in 1953, and expired in 1970. Advanced first charged Otis with infringement of this patent by letter of June 30, 1967, concluding its letter with a threat of immediate legal action if Otis did not respond to the charge.

On July 5, 1967, Otis informed Advanced that it was investigating the matter, and on September 29, 1967, Otis responded to Advanced's threat, stating in part:

> "We have investigated this matter and have concluded that we can find no basis for a determination that any of our Baker trucks constitute an infringement of any valid claim of patent 2,647,590. *If you persist in your belief that one or more of our trucks infringe this patent and wish to describe to us specifically what structure is believed to constitute this infringement we shall be pleased to review our decision.*" (Emphasis added.)

Advanced never responded to Otis' letter. It never particularized any of the structures alleged to infringe. It never expressed any disagreement with Otis' assertion of non-infringement. Rather, it stood mute for a period of five (5) years, until September 26, 1972 when it filed the complaint in this action.

During this period of silence Otis continued its business under the growing impression that the charge of infringement was as empty as the threat of immediate legal action. Advanced permitted Otis to continue in that belief through 1969 when the only witness who had knowledge of the facts surrounding the genesis of this ancient alleged invention, the inventor, died.* Advanced's silence continued through 1970 when the patent expired, and up to 1972 when suddenly Advanced renewed the charge of infringement of this then nineteen-year-old expired patent. The chronology and relationship of these events is depicted graphically in the Appendix hereto as they were in both Courts below.

Based on these undisputed facts, the District Court granted summary judgment, holding Advanced's belated

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* His testimony was critical to the forefeiture issue raised by Otis. See *Advanced Hydraulics, Inc.* v. *Otis Elevator Co.*, —— F.2d ——, ——, 186 U.S.P.Q. 1, 5 (7 Cir. 1975).

claim to be barred by the equitable doctrines of laches and estoppel. The United States Court of Appeals for the Seventh Circuit affirmed in an opinion written by Associate Justice Tom C. Clark, United States Supreme Court (Ret.), sitting by designation.

ARGUMENT

Advanced gives only one reason in support of its petition for a writ of certiorari, namely that in its view the decision of the Seventh Circuit conflicts with decisions of this Court and other Courts of Appeal. Advanced asserts that:

> "A valid claim on the grounds of laches requires proof of both (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense." (Pet. 4)*

Similarly, on the estoppel issue Advanced states:

> "To carry its burden on the estoppel issue, respondent was required to prove that it was misled and that it was damaged as a result of reliance on whatever misleading activities petitioner may have engaged in." (Pet. 10.)

But, even the briefest examination of the decision below demonstrates that the Court applied precisely the standards asserted by Advanced. The Court of Appeals stated those standards as follows:

> "The law of this Circuit on laches and estoppel is clear. *Mere delay is not sufficient,* but where 'deferrment of action to enforce claimed rights is prolonged and inexcusable *and operates to defendant's material prejudice,*' laches is 'an effectual bar' to recovery.
>
> * * * * *

* Pet. refers to Advanced's Petition.

> Estoppel, on the other hand, as Judge Lindley once defined it, 'arises only where one has so acted as to mislead another, *and the one thus misled has relied upon the action of the inducing party to his prejudice.*' " —— F.2d ——, ——, 186 U.S.P.Q. 1, 3 (7 Cir., 1975) (Emphasis added) (Citations omitted).

Therefore, the alleged conflict in the legal standard applied by the Court below is non-existent and Advanced's Petition reduces itself to the factual argument that Otis' proof of prejudice was insufficient to satisfy the proper and consistent legal standard applied by the Court of Appeals. In other words, what Advanced really seeks is an evidentiary review of the findings against it below. Such a review is clearly not the function of a writ of certiorari. This is especially true in this case where the District Court specifically found that Otis was prejudiced and those findings were affirmed by the Court of Appeals. The District Court stated:

> "4. Defendant is seriously prejudiced by plaintiff's unreasonable and inexcusable delay in failing to bring this action until 1972, after threat of suit in 1967, and in failing to respond promptly, or at all, to defendant's request for particulars of infringement. Plaintiff is guilty of laches barring its claim.
>
> • • • • •
>
> 6. Plaintiff's delay in bringing this litigation for five years after threatening immediate suit and ignoring the defendant's request for particulars of infringement, and the resultant loss of evidence of the inventor in respect of the inventor's acts, prejudiced defendant, and bars plaintiff's claim." —— F. Supp. ——, ——, 183 U.S.P.Q. 797, 799 (N.D. Ill. 1974) (Citations omitted).

Thus, the Court of Appeals and the District Court are in complete agreement that Advanced's failure to respond to

Otis' September 29, 1967 letter, coupled with its five-year silence between the threat of immediate suit and the institution of this action, were unreasonable and unexcused, and resulted in Otis being misled and prejudiced.

Therefore, it is easily seen that Advanced's Petition is without merit. This case presents no conflict in the law applied by the Courts below with any decision of this Court or any other Court. This case presents only a litigant who slept on its rights for five years to the serious prejudice of another party, and now attempts to convince this Court that there was no prejudice when two courts below found to the contrary based on facts which are not in dispute.

CONCLUSION

The evidentiary review sought by Advanced is clearly not sanctioned by Rule 19 of this Court; Advanced has presented no other reason for this Court's review and thus its Petition for a writ of certiorari to the United States Court of Appeals for the Seventh Circuit should be denied.

Respectfully submitted,

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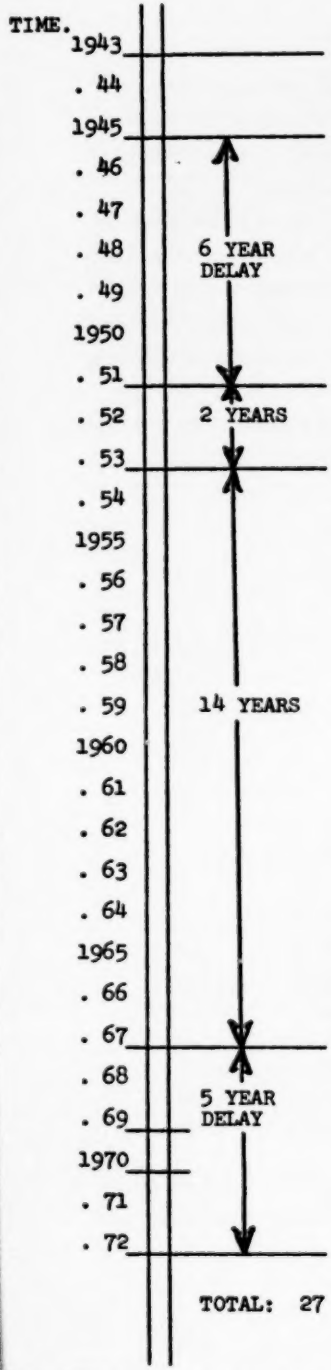
APPENDIX



PRIOR TO 1943-OTIS' PREDECESSOR COMMENCED MANUFACTURE OF HYDRAULIC FORK-LIFT TRUCKS. (DEF. ANS. TO PLT. INT. 27, JAN. 4, 1973)

1945-ANDERSON REDUCED TO PRACTICE THE SUBJECT MATTER OF THE PATENT IN SUIT. (PLT. ANS. TO DEF. INT. 26(b), JUNE 27, 1973)

FEBRUARY 16, 1951-ANDERSON FILED PATENT APPLICATION S.N. 211,387.

AUGUST 4, 1953-THE PATENT IN SUIT, U.S. NO. 2,647,590 FOR "HYDRAULIC ELEVATOR" ISSUED TO ANDERSON.

1967-ANDERSON ET AL. ORGANIZED THE PLAINTIFF, ADVANCED HYDRAULICS, INC. IN MARCH, AND IN JUNE HAVING OBTAINED OWNERSHIP OF PATENT IN SUIT, CHARGED INFRINGEMENT BY OTIS' FORK LIFT TRUCKS AND THREATENED OTIS WITH IMMEDIATE LEGAL ACTION. OTIS DENIED INFRINGEMENT IN SEPTEMBER AND REQUESTED PARTICULARS, BUT NEVER RECEIVED AN ANSWER.

1969-ANDERSON DIED.

AUGUST 4, 1970-U.S. PATENT 2,647,590 EXPIRED.

SEPTEMBER 26, 1972-ADVANCED HYDRAULICS, INC. COMMENCED THIS SUIT AGAINST OTIS.